

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

V.

ZURICH FINANCIAL SERVICES

Defendant.

08 Civ. 10760 (WHP)
ECF Case

REPORT CERTIFYING INITIAL DISTRIBUTION TO ELIGIBLE CLAIMANTS AND APPROVED LATE CLAIMANTS

The Garden City Group, Inc. (“GCG”), the Claims Administrator in the above-captioned matter, respectfully submits this Report Certifying Initial Distribution to Eligible Claimants and Approved Late Claimants (the “Report”) in accordance with Section 6 of the Order Authorizing the Claims Administrator to Distribute the Fair Funds to Eligible Claimants (the “Distribution Order”) dated August 21, 2012, which states, “GCG is directed to submit a report and certify that it has made the initial distribution to Eligible Claimants and approved late claimants by September 28, 2012.”

As authorized by the Distribution Order, GCG was directed to distribute the Available Distribution by mailing checks or wire transferring funds to all Eligible Claimants or their authorized representatives in the amount of the Approved Claims. In order to prepare for the distribution, GCG conducted a full reconciliation of the Fair Fund claim database including any claims that may have been received or withdrawn since the Second Motion to Authorize

Distribution of the Fair Fund to Eligible Claimants and Affirmation of Stephen J. Cirami dated March 16, 2012.

GCG determined that 1,375 claimants were eligible for a total of \$40,020,489.16 in Eligible Loss Amounts. The Distribution Order further directed that any claim received after July 20, 2012 is barred. GCG received five claims after July 20, 2012. Accordingly, those claims were rejected.

As certified in the Receipt Acknowledging Receipt of Funds and Deposit into Escrow Account previously filed with the Court, pursuant to the Distribution Order, on September 6, 2012, \$25,029,103.56 was transferred from the CRIS account to Signature Bank by the Clerk of the Court. As directed in the Distribution Order, \$100,000 of that amount has been reserved. As also directed in the Order, claims administration fees and expenses in the amount of \$1,003,162.01 were to be paid; accordingly, \$23,925,941.55 was available for distribution to the Eligible Claimants.

The 1,375 Eligible Claims calculated to aggregate losses of \$40,020,489.16. Accordingly, the *pro-rata* payment to each Eligible Claim is approximately 59.8% of the Approved Claim.

The distribution to Eligible Claimants began on Wednesday, September 19, 2012. On that date, GCG mailed 1,247 checks in the amount of \$18,928,048.07. In accordance with Section 3.31 of the Distribution Plan, all Fair Fund checks issued to Eligible Claimants bore a stale date of 90 days. Accordingly, these checks will become stale on Tuesday, December 18, 2012, if they are not cashed. GCG then completed the distribution the following day by issuing wire transfers on behalf of 128 claimants in the amount of \$4,997,892.68¹. Those electronic transfers had been requested by the claimants.

¹ The amount of the checks (\$18,928,048.07) plus wire transfers (\$4,997,892.68) that was distributed totaled \$23,925,940.75, which is \$.80 less than the amount available for distribution due to rounding.

After completing the above-described distribution to all Eligible Claimants, and in accordance with paragraph 2 of the Distribution Order, on Friday, September 21st, GCG transferred to itself \$1,003,162.01 from the Fair Fund for the approved claims administration fees and expenses.

GCG will continue to submit progress reports pursuant to the Court's February 9, 2010 Order; the next report filing will take place by October 20, 2012. GCG will also submit a report by December 28, 2012 in accordance with the Distribution Order stating the amount of funds remaining in the Escrow Account, the number of uncashed checks, and the approximate costs of distributing any remaining funds to aggrieved investors.

Dated: September 21, 2012
Lake Success, NY

Respectfully submitted,

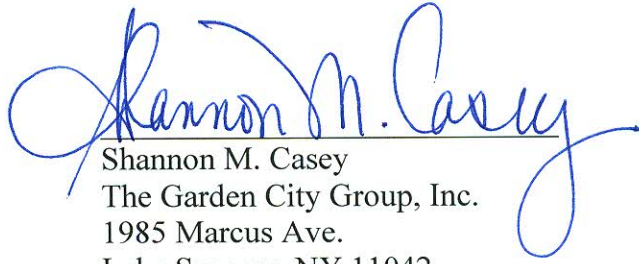
By: _____

Stephen J. Cirami



CERTIFICATE OF SERVICE

I hereby certify that the foregoing Report Certifying Initial Distribution to Eligible Claimants and Approved Late Claims was filed electronically on September 21, 2012. Notice of this filing will be sent by email to all parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's ECF System.

A handwritten signature in blue ink, reading "Shannon M. Casey", is written over a horizontal line. The signature is stylized with large loops and a long trailing flourish.

Shannon M. Casey
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